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Dept./Floor/Suite/Room

NEWPORT BEACH

State CA ZIP 92660

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to
Mr's Roy L. Mason, Esq

Phone ()

Company Mason, Ketterman & Cawood

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FedEx Envelope rate not available. Minimum charge: One-pound rate.
☐ FedEx Express Saver Third business day
☐ NEW FedEx Extra Hours Later drop-off with next business afternoon delivery to select locations.

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* Call for Confirmation.

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Dangerous Goods (incl. Dry Ice) cannot be shipped in FedEx packaging or with FedEx Extra Hours service.
☐ Dry Ice Dry Ice, 3, UN 1845 x kg ☐ Cargo Aircraft Only

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*Our liability is limited to \$100 unless you declare a higher value. See back for details.

8 Release Signature Sign to authorize delivery without obtaining signature.
By signing you authorize us to deliver this shipment without obtaining a signature and agree to indemnify and hold us harmless from any resulting claims.
Danni Gillespie
406
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Knobbe Martens Olson & Bear LLP

Intellectual Property Law

620 Newport Center Drive
Sixteenth Floor
Newport Beach, CA 92660
Tel 949-760-0404
Fax 949-760-9502
www.kmob.com

Amy C. Christensen

November 14, 2001

VIA FEDERAL EXPRESS

Roy L. Mason, Esq.
MASON, KETTERMAN & CAWOOD
69 Franklin Street
Annapolis, Maryland 21401

Re: Ms. Maryann Bastnagel, Co-Inventor for U.S. Patent Applications
SYSTEMS AND METHODS OF ON-LINE BOOKING OF CRUISES;
SYSTEMS AND METHODS OF COMPARING PRODUCT INFORMATION;
SYSTEMS AND METHODS OF DISPLAYING CRUISE LINE PRICING DATA;
SYSTEMS AND METHODS OF MAINTAINING CLIENT RELATIONSHIPS;
SYSTEMS AND METHODS OF MATCHING CUSTOMER PREFERENCES
WITH AVAILABLE OPTIONS (collectively, "Cruise Control")
ONLINE RESERVATION SYSTEM AND METHOD ("Flight Attendant")
Our Ref. Nos.: TRAVL9.002A/017A/018A/019A/020A; TRAVL8.001A

Dear Mr. Mason:

As you know, Ms. Maryann Bastnagel is a co-inventor for the above-captioned patent applications. We are currently under a deadline to provide documents from Ms. Bastnagel to the U.S. Patent and Trademark Office ("PTO") for these patent applications. Additionally, pursuant to Section 8 of her employment agreement with Travel Services International, Inc. ("TSI"), Ms. Bastnagel has promised to assign her interest in these patent applications to TSI. We have enclosed a copy of this employment agreement for your reference.

We currently have a signed declaration on file from Ms. Bastnagel for the patent application entitled "ONLINE RESERVATION SYSTEM AND METHOD." Thus, pursuant to her employment agreement, we request that she sign the enclosed Assignment for this patent application. However, if Ms. Bastnagel refuses to sign this Assignment, we request that she at least sign the enclosed Power of Attorney enabling us to receive correspondence and communicate with the PTO on behalf of Ms. Bastnagel for this application.

San Diego
619-235-8550

San Francisco
415-954-4114

Los Angeles
310-551-3450

Riverside
909-781-9231

Roy L. Mason, Esq.

November 14, 2001

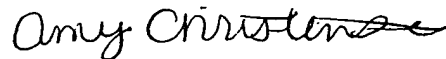
Page -2-

Given our pending deadline at the PTO, we request that you have Ms. Bastnagel sign the appropriate document—either the Assignment or the Power of Attorney—and return it to us in the enclosed, pre-addressed Federal Express Priority envelope by **November 26, 2001**. Because we understand that you have referred this matter to patent counsel, we have also enclosed an additional Federal Express Priority envelope so you can forward these documents to Ms. Bastnagel's patent counsel if necessary.

Regarding the Cruise Control patent applications, we are still waiting to receive the signed Declarations and Assignments that Ms. Bastnagel is required to provide pursuant to her employment agreement. We have sent you copies of these applications, including the specification, claims, drawings, Declaration and Assignment, and we understand that you have forwarded these documents to Ms. Bastnagel's patent counsel for review. We have been unable to reach you to obtain contact information for Ms. Bastnagel's patent counsel. Please contact us if you require additional copies of these documents, or if we can provide any additional information to Ms. Bastnagel's patent counsel that would assist Ms. Bastnagel in signing the documents.

If you have any questions or concerns, please feel free to give us a call.

Very truly yours,



Amy C. Christensen

Enclosures

cc: James B. Bear
Kyle F. Schlueter
Perry D. Oldham

Knobbe Martens Olson & Bear LLP

Roy L. Mason, Esq.

November 14, 2001

Page -3-

bcc: Paul Rendich

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111301

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Bastnagel, et al.)
App. No. : 09/636,241)
Filed : August 10, 2000)
For : ONLINE RESERVATION SYSTEM)
AND METHOD)
Examiner : Beverly M. Flanagan)
Art Unit : 2771)

ESTABLISHMENT OF POWER OF ATTORNEY

Assistant Commissioner for Patents
Washington, D.C. 20231

Dear Sir:

The undersigned Applicant/Inventor hereby revokes any previous powers of attorney in the subject application, and hereby appoints the registrants of Knobbe, Martens, Olson & Bear, LLP, 620 Newport Center Drive, Sixteenth Floor, Newport Beach, California 92660, Telephone (949) 760-0404, **Customer No. 20,995**, as its attorneys with full power of substitution and revocation to prosecute this application and to transact all business in the U.S. Patent and Trademark Office connected herewith.

Please use **Customer No. 20,995** for all communications.

Dated: _____

By: _____

Maryann Bastnagel
3 Bloomingdale Court
Rockville, MD 20852

Application No.: 09/636,241
Filing Date: August 10, 2000

PATENT
Client Code: TRAVL.001A
Page 1

ASSIGNMENT

WHEREAS, I, Maryann Bastnagel, a _____ citizen, residing at 3 Bloomingdale Court, Rockville, MD 20852, have invented certain new and useful improvements in an **ONLINE RESERVATION SYSTEM AND METHOD** for which I have filed an application for Letters Patent in the United States, Application No. 09/636,241, Filing Date August 10, 2000;

AND WHEREAS, Travel Services International, Inc. (hereinafter "ASSIGNEE"), a _____ Corporation, with its principal place of business at 200 Congress Park Drive, Delray Beach, FL 33445, desires to acquire the entire right, title, and interest in and to the said improvements and the said Application:

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) to me in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged, we, the said inventors, do hereby acknowledge that we have sold, assigned, transferred and set over, and by these presents do hereby sell, assign, transfer and set over, unto the said ASSIGNEE, its successors, legal representatives and assigns, the entire right, title, and interest throughout the world in, to and under the said improvements, and the said application and all divisions, renewals and continuations thereof, and all Letters Patent of the United States which may be granted thereon and all reissues and extensions thereof, and all rights of priority under International Conventions and applications for Letters Patent which may hereafter be filed for said improvements in any country or countries foreign to the United States, and all Letters Patent which may be granted for said improvements in any country or countries foreign to the United States and all extensions, renewals and reissues thereof; and we hereby authorize and request the Commissioner of Patents of the United States, and any Official of any country or countries foreign to the United States, whose duty it is to issue patents on applications as aforesaid, to issue all Letters Patent for said improvements to the said ASSIGNEE, its successors, legal representatives and assigns, in accordance with the terms of this instrument.

AND I HEREBY covenant and agree that I will communicate to the said ASSIGNEE, its successors, legal representatives and assigns, any facts known to me respecting said improvements, and testify in any legal proceeding, sign all lawful papers, execute all divisional, continuing and reissue applications, make all rightful oaths and generally do everything possible to aid the said ASSIGNEE, its successors, legal representatives and assigns, to obtain and enforce proper patent protection for said improvements in all countries.

IN TESTIMONY WHEREOF, I hereunto set my hand and seal this _____ day of _____, 2001.

Maryann Bastnagel

STATE OF

COUNTY OF

}
ss.

On _____, before me, _____, personally appeared Maryann Bastnagel personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person executed the instrument.

WITNESS my hand and official seal.

[SEAL]

Notary Signature

EXECUTION COPY

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), by and between Travel Services International, Inc., a Delaware corporation ("TSI"), and Maryann Bastnagel ("Employee"), is hereby entered into as of this 25 day of July, 1997, and shall be effective as of a date (the "Effective Date") to be agreed upon by the parties hereto as soon as practicable after the consummation of the initial public offering of the common stock of TSI (the "IPO").

RECITALS

A. As of the date of this Agreement, TSI is engaged primarily in the business of providing travel services.

B. Employee is employed hereunder by TSI in a confidential relationship wherein Employee, in the course of Employee's employment with TSI, has and will continue to become familiar with and aware of information as to TSI's customers, specific manner of doing business, including the processes, techniques and trade secrets utilized by TSI, and future plans with respect thereto, all of which has been and will be established and maintained at great expense to TSI; this information is a trade secret and constitutes the valuable goodwill of TSI.

AGREEMENTS

In consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each, the parties hereto hereby agree as follows:

1. EMPLOYMENT AND DUTIES.

(a) TSI hereby employs Employee as a Senior Vice President and Chief Information Officer of TSI. As such, Employee shall have responsibilities, duties and authority reasonably accorded to and expected of a Senior Vice President and Chief Information Officer of TSI and will report directly to the President of TSI. Employee acknowledges that TSI is a start-up company and that Employee's responsibilities may extend beyond the traditional responsibilities of a Senior Vice President and Chief Information Officer. Employee hereby accepts this employment upon the terms and conditions herein contained and, subject to paragraph 1(c) hereof, agrees to devote Employee's full business time, attention and efforts to promote and further the business of TSI.

(b) Employee shall faithfully adhere to, execute and fulfill all policies established by the Board of Directors of TSI (the "Board").

(c) Employee shall not, during the term of her employment hereunder, be engaged in any other business activity pursued for gain, profit or other pecuniary advantage if such activity interferes with Employee's duties and responsibilities hereunder. The foregoing limitations shall not be construed as prohibiting Employee from making personal investments in such form or manner as will neither require Employee's services in the operation or affairs of the companies or enterprises in which such investments are made nor violate the terms of paragraph 4 hereof.

2. COMPENSATION.

For all services rendered by Employee, TSI shall compensate Employee as follows.

(a) *Base Salary.* The base salary payable to Employee shall be \$150,000 per year, payable on a regular basis in accordance with TSI's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Employee's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Employee's base salary be reduced.

(b) *Incentive Bonus Plan.* For 1997 and subsequent years, TSI shall develop, as soon as practicable after the Effective Date, a written Incentive Bonus Plan setting forth the criteria and performance standards under which Employee and other officers and key employees will be eligible to receive year-end bonus awards. TSI contemplates that the maximum bonus for which Employee may be eligible will be 75% of Employee's base salary.

(c) *Executive Perquisites, Benefits, and Other Compensation.* Employee shall be entitled to receive additional benefits and compensation from TSI in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Employee and Employee's dependent family members under health, hospitalization, disability, dental, life and other insurance plans that TSI may have in effect from time to time. Reimbursement for COBRA payments for coverage for Employee and Employee's dependent family members in the event that TSI is unable to provide insurance coverage at the Effective Date.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Employee in the performance of Employee's services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Employee upon submission of any request for reimbursement, and in a format and manner consistent with TSI's expense reporting policy.

(iii) TSI shall provide Employee with other executive perquisites as may be available to senior management of TSI and participation in all other TSI-wide employee benefits as available from time to time, including vacation benefits in accordance with TSI's established policies.

3. OPTIONS.

At the date of the IPO, TSI shall grant to Employee options to acquire 110,000 shares of TSI common stock at the price per share at which such stock is offered to the public in the IPO, subject to forfeiture if Employee does not commence employment with TSI. Such options shall vest in installments of 27,500 shares on each of the first, second, third and fourth anniversaries of the Effective Date.

4. NON-COMPETITION.

(a) Employee will not, during the period of Employee's employment with TSI, and for a period of two (2) years immediately following the termination of Employee's employment under this Agreement, for any reason whatsoever, directly or indirectly, for herself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor or as a sales representative, in any travel service business that was formed to acquire, or whose business plan contemplates the acquisition of, specialized distributors of leisure travel services, within the United States or within 100 miles of any other geographic area in which TSI or any of TSI's subsidiaries conducts business, including any territory serviced by TSI or any of its subsidiaries (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of TSI (including the subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of TSI (including the subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of TSI (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with TSI or any subsidiary of TSI within the Territory; or

(iv) call upon any prospective acquisition candidate, on Employee's own behalf or on behalf of any competitor, which candidate was, to Employee's actual knowledge after due inquiry, either called upon by TSI (including the respective subsidiaries thereof) or for which TSI made an acquisition analysis, for the purpose of acquiring such entity.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Employee from acquiring as an investment not more than two percent (2%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or over-the-counter.

(b) Because of the difficulty of measuring economic losses to TSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to TSI for which it would have no other adequate remedy, Employee agrees that the foregoing covenant may be enforced by TSI in the event of breach by her; by injunctions and restraining orders.

(c) It is agreed by the parties that the foregoing covenants in this paragraph 4 impose a reasonable restraint on Employee in light of the activities and business of TSI (including TSI's subsidiaries) on the date of the execution of this Agreement and the current plans of TSI (including TSI's subsidiaries); but it is also the intent of TSI and Employee that such covenants be construed and enforced in accordance with the changing activities, business and locations of TSI (including TSI's subsidiaries) throughout the term of this Agreement. For example, if, during the term of this Agreement, TSI (including TSI's subsidiaries) engages in new and different activities, enters a new business or establishes new locations for its current activities or business in addition to or other than the activities or business enumerated under the Recitals above or the locations currently established therefor, then Employee will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new business within 100 miles of its then-established operating location(s) through the term of this Agreement.

It is further agreed by the parties hereto that, in the event that Employee shall cease to be employed hereunder, and shall enter into a business or pursue other activities not in competition with TSI (including TSI's subsidiaries), or similar activities, or business in locations the operation of which, under such circumstances, does not violate clause (i) of this paragraph 4, and in any event such new business, activities or location are not in violation of this paragraph 4 or of employee's obligations under this paragraph 4, if any, Employee shall not be chargeable with a violation of this paragraph 4 if TSI (including TSI's subsidiaries) shall thereafter enter the same, similar or a competitive (i) business, (ii) course of activities or (iii) location, as applicable.

(d) The covenants in this paragraph 4 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall be reformed in accordance therewith.

All of the covenants in this paragraph 4 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against TSI, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by TSI of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 4, during which the agreements and covenants of Employee made in this paragraph 4 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph 4.

5. PLACE OF PERFORMANCE.

(a) Employee understands that she shall relocate from Employee's present residence to another geographic location near TSI's headquarters in Palm Beach in order to more efficiently carry out Employee's duties and responsibilities under this Agreement; provided that Employee may commute from her existing residence to TSI's headquarters during the initial year of the Term hereof (as defined below). TSI will, for the initial year of the Term hereof, pay all actual reasonable relocation costs to move Employee, Employee's immediate family and their personal property and effects. Such costs may include, but are not limited to, moving expenses, air fare, temporary lodging expenses prior to moving into a new permanent residence and other associated expenses; provided, the maximum total amount to be paid by TSI hereunder shall be \$20,000.

(b) Notwithstanding the above, if Employee is requested by the Board to relocate and Employee refuses, such refusal shall not constitute "cause" for termination of this Agreement under the terms of paragraph 6(c).

6. TERM; TERMINATION; RIGHTS ON TERMINATION.

The term of this Agreement shall begin on the date hereof and continue for three (3) years, and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. As used herein, the word "Term" shall mean (i) during the three year period referred to in the preceding sentence, such three year period, and (ii) during any one year renewal pursuant to the terms hereof, such one year period. This Agreement and Employee's employment may be terminated in any one of the following ways:

(a) *Death.* The death of Employee shall immediately terminate this Agreement with no severance compensation due to Employee's estate.

(b) *Disability.* If, as a result of incapacity due to physical or mental illness or injury, as reasonably determined by Employee's physician, Employee shall have been absent from Employee's full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), TSI may terminate Employee's employment hereunder provided Employee is unable to resume Employee's full-time duties at the conclusion of such notice period. Also, Employee may terminate Employee's employment hereunder if her health should become impaired to an extent that makes the continued performance of Employee's duties hereunder hazardous to Employee's physical or mental health or life, provided that Employee shall have furnished TSI with a written statement from a qualified doctor to such effect and provided, further, that, at TSI's request made within thirty (30) days of the date of such written statement, Employee shall submit to an examination by a doctor selected by TSI who is reasonably acceptable to Employee or Employee's doctor and such doctor shall have concurred in the conclusion of Employee's doctor. In the event this Agreement is terminated by either party as a result of Employee's disability, Employee shall receive from TSI, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Term of this Agreement or for one (1) year, whichever amount is greater.

(c) *Good Cause.* TSI may terminate the Agreement ten (10) days after delivery of written notice to Employee for good cause, which shall be: (1) Employee's willful, material and irreparable breach of this Agreement; (2) Employee's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Employee's material duties and responsibilities hereunder; (3) Employee's willful dishonesty, fraud or misconduct with respect to the business or affairs of TSI which materially and adversely affects the operations or reputation of TSI; (4) Employee's conviction of a felony crime; or (5) chronic alcohol abuse or illegal drug abuse by Employee. In the event of a termination for good cause, as enumerated above, Employee shall have no right to any severance compensation.

(d) *Without Cause.* At any time after the commencement of employment, Employee may, without cause, terminate this Agreement and Employee's employment, effective thirty (30) days after written notice is provided to TSI. Employee may only be terminated without cause by TSI during the Term hereof if such termination is approved by at least two-thirds of the members of the Board. Should Employee's employment be terminated by TSI without cause during the Term, Employee shall receive from TSI, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Term of this Agreement or for one (1) year, whichever amount is greater, plus any accrued salary and declared but unpaid bonus and reimbursement of expenses. Should Employee's employment be terminated by TSI without cause at any time after the Term, Employee shall receive from TSI, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary, plus any accrued salary and declared but unpaid bonus and reimbursement of expenses. Further, any termination without cause by TSI shall operate to shorten the period set forth in paragraph 4(a) and during which the terms of paragraph 4 apply to one (1) year from the date of termination of employment. If Employee resigns or otherwise terminates Employee's employment without cause pursuant to this paragraph 6(d), Employee shall receive no severance compensation.

(e) *Change in Control of TSI.* In the event of a "Change in Control of TSI" (as defined below) during the Term, refer to paragraph 13 below.

Upon termination of this Agreement for any reason provided above, Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Employee

only to the extent and in the manner expressly provided above or in paragraph 13 hereof. All other rights and obligations of TSI and Employee under this Agreement shall cease as of the effective date of termination, except that TSI's obligations under paragraph 10 hereof and Employee's obligations under paragraphs 4, 7, 8, 9 and 11 hereof shall survive such termination in accordance with their terms.

If termination of Employee's employment arises out of TSI's failure to pay Employee on a timely basis the amounts to which she is entitled under this Agreement or as a result of any other material breach of this Agreement by TSI (including but not limited to a material reduction in Employee's responsibilities hereunder), as mutually agreed to by Employee and TSI or as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 17 below, such termination shall be deemed a termination without cause, and TSI shall pay to Employee severance compensation pursuant to the applicable provisions of paragraph 6(d) and all amounts and damages to which Employee may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Employee to enforce Employee's rights hereunder. Further, none of the provisions of paragraph 4 hereof shall apply in the event this Agreement is terminated as a result of a breach by TSI.

In the event of any termination of Employee's employment for any reason provided above, Employee shall be under no obligation to seek other employment and there shall be no offset against any amounts due to Employee under this Agreement on account of any remuneration attributable to any subsequent employment that Employee may obtain. Any amounts due under this paragraph 6 are in the nature of severance payments, or liquidated damages, or both, and are not in the nature of a penalty.

7. RETURN OF COMPANY PROPERTY.

All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Employee by or on behalf of TSI, or its representatives, vendors or customers which pertain to the business of TSI shall be and remain the property of TSI, and be subject at all times to its discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials, and other similar data pertaining to the business, activities or future plans of TSI which is collected by Employee shall be delivered promptly to TSI without request by it upon termination of Employee's employment.

8. INVENTIONS.

Employee shall disclose promptly to TSI any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Employee, solely or jointly with another, during the period of employment, and which are directly related to the business or activities of TSI and which Employee conceives as a result of Employee's employment by TSI. Employee hereby assigns and agrees to assign all of Employee's interests therein to TSI or its nominee. Whenever requested to do so by TSI, Employee shall execute any and all applications, assignments or other instruments that TSI shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect TSI's interest therein.

9. TRADE SECRETS.

Employee agrees that she will not, other than as required by court order, during or after the Term of this Agreement with TSI, disclose the confidential terms of TSI's or its subsidiaries' relationships or agreements with its significant vendors or customers or any other significant and material trade secret of TSI or its subsidiaries, whether in existence or proposed, to any person, firm, partnership, corporation or business for any reason or purpose whatsoever.

10. INDEMNIFICATION.

In connection with any threatened, pending or completed claim, demand, liability, action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by TSI against Employee), by reason of the fact that Employee is or was performing services (including an act, omission or failure to act) under this Agreement, TSI shall indemnify and hold harmless, to the maximum extent permitted by law, Employee against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Employee in connection therewith. In the event that both Employee and TSI are made a party to the same third-party action, complaint, suit or proceeding, TSI agrees to engage competent legal representation reasonably acceptable to Employee, and Employee agrees to use the same representation, provided that if counsel selected by TSI shall have a conflict of interest that prevents such counsel from representing Employee, Employee may engage separate counsel and TSI shall pay all attorneys' fees of such separate counsel. Further, while Employee is expected at all times to use Employee's best efforts to faithfully discharge her duties under this Agreement, Employee cannot be held liable to TSI for errors or omissions made in good faith where Employee has not exhibited gross, willful or wanton negligence or misconduct or performed criminal and fraudulent acts which materially damage the business of TSI. TSI shall pay, on behalf of Employee upon presentation of proper invoices, all fees, costs and expenses (including attorneys' fees) incurred in connection with any matter referenced in this paragraph 10.

11. NO PRIOR AGREEMENTS.

Employee hereby represents and warrants to TSI that the execution of this Agreement by Employee and her employment by TSI and the performance of Employee's duties hereunder will not violate or be a breach of any agreement with a former employer, client or any other person or entity. Further, Employee agrees to indemnify TSI for any claim, including but not limited to attorneys' fees and expenses of investigation, by any such third party that such third party may now have or may hereafter come to have against TSI based upon or arising out of any noncompetition agreement, invention or secrecy agreement between Employee and such third party which was in existence as of the date of this Agreement.

12. ASSIGNMENT; BINDING EFFECT.

Employee understands that she has been selected for employment by TSI on the basis of Employee's personal qualifications, experience and skills. Employee, therefore, shall not assign all or any portion of Employee's performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 13 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

13. CHANGE IN CONTROL.

(a) Unless Employee elects to terminate this Agreement pursuant to (c) below, Employee understands and acknowledges that TSI may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of TSI hereunder or that TSI may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Term, then the provisions of this paragraph 13 shall be applicable.

(b) In the event of a pending Change in Control wherein TSI and Employee have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of TSI's business and/or assets that such successor is willing as of the closing to assume and agree to perform TSI's obligations under this Agreement in the same manner and to the same extent that TSI is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by TSI without cause during the Term and the applicable portions of paragraph 6(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be triple the amount calculated under the terms of paragraph 6(d) and the noncompetition provisions of paragraph 4 shall not apply.

(c) In any Change in Control situation, Employee may elect to terminate this Agreement by providing written notice to TSI at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 6(d) will apply as though TSI had terminated the Agreement without cause during the Term; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be double the amount calculated under the terms of paragraph 6(d) and the noncompetition provisions of paragraph 4 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 6 hereof under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Employee must be paid in full by TSI at or prior to such closing. Further, Employee will be given sufficient time and opportunity to elect whether to exercise all or any of Employee's vested options to purchase TSI Common Stock, including any options with accelerated vesting under the provisions of TSI's 1997 Long-Term Incentive Plan, such that Employee may convert the options to shares of TSI Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if Employee so desires.

(e) A "Change in Control" shall be deemed to have occurred if:

(i) any person or entity, or group of persons or entities acting together, other than TSI or an employee benefit plan of TSI, acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of TSI and immediately after such acquisition such person, entity or group is, directly or indirectly, the Beneficial Owner of voting securities representing 33% or more of the total voting power of all of the then-outstanding voting securities of TSI and has a larger percentage of voting securities of TSI than any other person, entity or group holding voting securities of TSI, unless the transaction pursuant to which such acquisition is made is approved by at least two-thirds (2/3) of the Board; or

(ii) the following individuals no longer constitute a majority of the members of the Board: (A) the individuals who, as of the closing date of TSI's initial public offering, constitute the Board (the "Original Directors"); (B) the individuals who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds

(2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election); or

(iii) the stockholders of TSI shall approve a merger, consolidation, recapitalization or reorganization of TSI, a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction which would result in at least 75% of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being Beneficially Owned by at least 75% of the holders of outstanding voting securities of TSI immediately prior to the transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction; or

(iv) the stockholders of TSI shall approve a plan of complete liquidation of TSI or an agreement for the sale or disposition by TSI of all or a substantial portion of TSI's assets (i.e., 50% or more of the total assets of TSI).

(f) Employee must be notified in writing by TSI at any time that TSI or any member of its Board anticipates that a Change in Control may take place.

(g) Employee shall be reimbursed by TSI or its successor, on a grossed up basis, for any excise taxes that Employee incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by TSI or its successor within ten (10) days after Employee delivers a written request for reimbursement accompanied by a copy of Employee's tax return(s) showing the excise tax actually incurred by Employee.

14. COMPLETE AGREEMENT.

If the IPO does not occur this Agreement is not a promise of future employment. This Agreement supersedes any other agreements or understandings, written or oral, between TSI and Employee, and Employee has no oral representations, understandings or agreements with TSI or any of its officers, directors or representatives covering the same subject matter as this Agreement.

This written Agreement is the final, complete and exclusive statement and expression of the agreement between TSI and Employee and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a written instrument signed by a duly authorized officer of TSI and Employee, and no term of this Agreement may be waived except by a written instrument signed by the party waiving the benefit of such term.

15. NOTICE.

Whenever any notice is required hereunder, it shall be given in writing addressed as follows:

To TSI:	Travel Services International, Inc.
	c/o Alpine Consolidated, LLC
	4701 Sangamore Road, P15
	Bethesda, MD 20816

To Employee: Maryann Basmagel
3 Bloomingdale Court
Bethesda, Maryland 20852

Notice shall be deemed given and effective three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 15.

16. SEVERABILITY; HEADINGS.

If any portion of this Agreement is held invalid or inoperative, the other portions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The paragraph headings herein are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent or intent of the Agreement or of any part hereof.

17. ARBITRATION.

Any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in the community where the corporate headquarters of TSI is located on the Effective Date, in accordance with the rules of the American Arbitration Association then in effect. The arbitrators shall not have the authority to add to, detract from or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Employee was terminated without disability or good cause, as defined in paragraphs 6(b) and 6(c) hereof, respectively, or that TSI has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by TSI.

18. GOVERNING LAW.

This Agreement shall in all respects be construed according to the laws of the State of Delaware without regard to the conflicts of laws principles of such state.

19. COUNTERPARTS.

This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TRAVEL SERVICES INTERNATIONAL, INC.

By: 

Name:

Elan Gardner

Title:

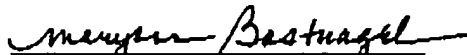
President

Maryann Bastnagel

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TRAVEL SERVICES INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____


Maryann Bastmagel

SEPARATION AGREEMENT

This **SEPARATION AGREEMENT**, dated as of April 28, 1999 (the "Effective Date"), by and between Travel Services International, Inc., a Florida corporation with an address at 220 Congress Park Drive, Delray Beach, FL 33445 ("Company"), and Maryann Bastnagel, an individual with an address at 3606 South Ocean Boulevard, #807, Highland Beach, FL 33487 ("Bastnagel")

RECITALS

A Bastnagel has served as Senior Vice President and Chief Information Officer of Company

B. The Company and Bastnagel are parties to that certain Employment Agreement, dated as of July 25, 1997 (the "Employment Agreement").

C The parties have agreed that the Employment Agreement will be terminated subject to the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties hereto, Company and Bastnagel agree as follows:

1. Termination of Employment Agreement

(a) Except as otherwise provided in this section, the Employment Agreement is hereby terminated as of the date hereof and shall be of no further force and effect.

(b) Section 4 (Non-competition), Section 7 (Return of Company Property), Section 8 (Inventions), Section 9 (Trade Secrets) and Section 10 (Indemnification) of the Employment Agreement shall survive the termination of the Employment Agreement

(c) Bastnagel represents, warrants and acknowledges that, other than that specifically provided for in this Agreement, the Company owes her no wages, commissions, bonuses, sick pay, personal leave pay, severance pay, vacation pay, benefits or other compensation or payments or form of remuneration of any kind or nature,

(d) Bastnagel hereby warrants and represents that she has not removed and will not remove any documents, equipment or other property belonging to the Company, whether in tangible or electronic form, or that documents, equipment or other property so removed have been returned, destroyed or discarded, as appropriate.

2. Resignation Bastnagel hereby resigns as an officer of Company, effective as of the date hereof, and agrees and recognizes that her employment relationship with the Company has been severed and that the Company has no obligation to reemploy her in the future

3. Payments; Benefits

(a) In full consideration of Bastnagel's execution of this Agreement, and her agreement to be legally bound by its terms, Company will, on the eighth day after Bastnagel's execution of this Agreement (the expiration of the revocation period referred to in paragraph 6(b) of this Agreement), provide Bastnagel with the following consideration, to which she would not otherwise be entitled:

- (1) the gross sum of \$75,000, representing six months salary, minus all payroll deductions required by law or authorized by Bastnagel;
- (2) the gross sum of \$3,872.13, minus all payroll deductions required by law or authorized by Bastnagel, representing payment of all accrued and unused vacation time; and
- (3) the laptop computer currently utilized by Bastnagel

(b) In addition to the consideration set forth in (a) above, it is expressly understood that Bastnagel shall be entitled to all funds contributed by her to the Company's 401(k) plan and all vested contributions made by the Company on Bastnagel's behalf.

Except as set forth in this Agreement, it is expressly agreed and understood that Company does not have, and will not have, any obligation to provide Bastnagel at any time in the future with any payments, benefits or considerations other than those set forth in this Agreement.

4. Indemnification. Company shall indemnify and hold harmless Bastnagel against any costs or expenses (including reasonable attorneys' fees and expenses), judgments, fines, losses, claims, damages or liabilities (collectively, "Costs") incurred in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to matters existing or occurring at or prior to the Effective Date by reason of the fact that Bastnagel is or was an officer of Company, whether asserted or claimed prior to, at or after the Effective Date, to the fullest extent that Company would have been permitted to indemnify Bastnagel under applicable law, the Articles of Incorporation or By-Laws of Company in effect on this date, the Employment Agreement or that certain Indemnification Agreement dated as of July [28], 1997.

5. Non-Disparagement; Confidentiality. Each of the parties hereto agrees that from and after the date of this Agreement, neither shall, publicly or privately, disparage or make any statements (written or oral) that would impugn the integrity, acumen (business or otherwise), ethics or business practices, of the other and/or the directors, officers, employees, shareholders and/or the directors, officers, employees, shareholders and/or affiliates of the other, or to disclose the terms of this Agreement, except, in each case, to the extent (but solely to the extent) necessary (i) in any judicial or arbitral action to enforce the provisions of this Agreement, (ii) in connection with any judicial, regulatory or administrative proceeding, or (iii) to the extent required by applicable law or the rules and regulations of the Securities and Exchange Commission or the National Association of Securities Dealers. When used with respect to the

Company, the terms "disparage" or "make statements" shall mean official Company-issued press releases, presentations, interviews or the like, or statements made by senior management or directors of the Company.

6. Release. (a) Bastnagel knowingly, voluntarily and unconditionally hereby forever waives, releases and discharges, and covenants never to sue on, any and all claims, liabilities, causes of actions, judgments, orders, assessments, penalties, fines, expenses and costs (including without limitation attorneys' fees) and/or suits of any kind arising out of any actions, events or circumstances before the date of execution of this Agreement ("Claims") which Bastnagel has, ever had or may have, or which Bastnagel's heirs, executors, administrators and assigns, or any of them hereafter can, shall or may have, provided, however, that this Section 6 shall not apply to any of the obligations of the Company specifically provided for in this Agreement. This Agreement is intended as a full and final settlement and compromise of each, every and all Claims of every kind and nature, whether known or unknown, which have been or could be asserted against the Company or any of its parent corporations, subsidiaries, shareholders, officers, directors, agents, affiliates, and employees, past or present, and their respective heirs, successors and assigns (collectively, the "Releasees"), including, without limitation.

- (1) any Claims arising out of any employment agreement, option agreement or other contract (including, without limitation, the Employment Agreement), side-letter, resolution, promise or understanding of any kind, whether written or oral or express or implied; and
- (2) any Claims arising under any federal, state, or local civil rights, human rights, anti-discrimination, labor, employment, contract or tort law, rule, regulation, order or decision, including, without limitation, the Age Discrimination in Employment Act of 1967, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, 42 U.S.C. §§12101 et seq., Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§2000 et seq., and the Florida Civil Rights Act of 1992, and as each of these laws have been or will be amended.

Bastnagel agrees and covenants that she will not file or permit to be filed any civil action, suit, or legal proceeding seeking personal equitable or monetary relief in connection with any matter occurring at any time in the past concerning her employment with Company, up to and including the date of this Agreement, or involving any continuing effects of any acts or practices that may have arisen or occurred on or prior to the date of this Agreement. Bastnagel further agrees and covenants that should any person, organization or other entity file or cause or permit to be filed any civil action, suit or legal proceeding against Company involving any matter occurring at any time in the past, Company will not seek or accept any personal relief in such civil action, suit or legal proceeding.

(b) The Company knowingly, voluntarily and unconditionally hereby forever waives, releases and discharges, and covenants never to sue on any and all Claims which

the Company has, ever had or may have, including, without limitation, any Claims arising in whole or in part from Bastnagel's employment; provided, however, that this Section 6 shall not apply to any of the obligations of Bastnagel specifically provided for in this Agreement or to any Claims against Bastnagel which directly or indirectly result from any illegal conduct, act of fraud, theft, or violation of any regulation or law committed by Bastnagel in connection with her employment. This Agreement is intended as a full and final settlement and compromise of each, every and all Claims, whether known or unknown, which have been or could be asserted against Bastnagel and her respective heirs, successors and assigns, except as otherwise set forth herein.

Bastnagel understands that this Agreement affects significant rights and represents and agrees that she has carefully read and fully understands all of the provisions of this Agreement, that she is voluntarily entering into this Agreement, and that she has been advised to consult with and has in fact consulted with legal counsel before entering into this Agreement. Bastnagel understands and agrees that the consideration provided to her under the terms of this Agreement is in addition to anything of value to which Bastnagel is otherwise entitled.

Bastnagel acknowledges that she has been given at least 21 days within which to consider executing the Agreement, and that she has seven days from the date of her execution of this Agreement within which to revoke this Agreement. Any revocation must be in writing and be received by Company, Attention: General Counsel, by 5:00 p.m. on or before the seventh day after this Agreement is executed by Bastnagel. Bastnagel further acknowledges that the Agreement will not become effective or enforceable until the revocation period has expired. If Bastnagel executes this Agreement prior to the end of the 21 day period that the Company has provided for her to give it consideration, she agrees and acknowledges that the prior execution was a knowing and voluntary waiver of Bastnagel's right to consider this Agreement for the full 21 days and was due to Bastnagel's conclusion that she had ample time in which to consider and understand this Agreement, and in which to review this Agreement with her attorney or representative of her choice.

This Agreement does not constitute any admission of wrongdoing, or evidence thereof, on the part of any of the parties hereto or the Releasees. Except as required by court order or to enforce the terms of this Agreement, this Agreement may not be used in any court or administrative proceeding.

7. Exculpation. Bastnagel shall not be liable to Company for any acts or omissions whatsoever prior to the Effective Date which she had taken or omitted to take in her capacity as an officer or employee of Company or any Subsidiary unless such acts or omission were not in good faith or involved intentional misconduct or a knowing violation of any federal, state or local laws.

8. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by fax or mailed by registered or certified mail (return receipt requested) to a party at the address for such party set forth on the first page of this Agreement (or at such other address for such party as shall be specified by like notice).

9. Successors and Assigns. The provisions of this Agreement are intended

to be for the benefit of, and shall be enforceable by, Bastnagel and Bastnagel's heirs, estate and legal representatives and shall be binding on the Company and its successors and assigns.

10. Integration, Amendments, Waivers. Except to the extent otherwise provided herein, this Agreement constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof. Notwithstanding the foregoing, the terms of those certain Stock Option Grant Agreements, dated July 28, 1997 and September 30, 1998, shall survive and remain in full force and effect in accordance with their terms. This Agreement may not be amended, waived, or modified otherwise than by a written agreement executed by the parties to this Agreement or their respective successors and legal representatives. No waiver by any party to this Agreement of any breach of any term, provision or condition of this Agreement by the other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, or any prior or subsequent time.

11. Governing Law. This Agreement shall be governed in all respects, including validity, interpretation and effect and enforcement, by the internal laws (and not the principles of conflict of laws) of the State of Florida.

12. Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

13. Counterparts. This Agreement may be executed in two or more counterparts which together shall constitute a single instrument.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

TRAVEL SERVICES INTERNATIONAL, INC.

By: 

Name: JOSEPH V. VITTORIA

Title: CHAIRMAN & CHIEF EXECUTIVE OFFICER


Maryann Bastnagel